# Public Comment to the Indiana Department of Health Regarding the Certificate of Public Advantage Application of Union Health and Terre Haute Regional Hospital

Pursuant to Indiana Code § 16-21-15

**March 21, 2025**

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Union Hospital, Inc. (Union Health) is proposing to acquire Terre Haute Regional Hospital, L.P. (Terre Haute Regional Hospital). The Parties filed an initial Certificate of Public Advantage (COPA) Application on September 14, 2023, pursuant to Indiana Code § 16-21-15. I submitted a public comment on the first COPA Application on September 6, 2024. The Parties then withdrew their initial application within days of a decision being reached and filed a new COPA Application on February 5, 2025. This comment responds to arguments the Parties have made in their second COPA Application.

**Key Points:**

- This transaction would create a new merged entity that would have a local market share, depending on how it is measured, that ranges from approximately 75% to approximately 100%.

- I conclude that, even if a COPA were granted, this transaction would raise commercial prices by between 10% and 30%, raise local insurance premiums by 3% to 10%, lower nurses' wages by approximately 5%, and cause approximately 500 job losses outside the health sector.

- The pricing commitments offered by the merging parties in their second application impact their billed charges, not their allowed amounts (e.g., the actual prices hospitals negotiate with insurers), so would not protect consumers and the local community from price increases.

- Based on the FTC's analysis of public data, Terre Haute Regional Hospital has greater profit margins, in proportional terms, than approximately 75% of hospitals in the US and is owned by a parent company with a net income of $6 billion. This means that Terre Haute Regional Hospital is unlikely to close if the merger is blocked and that the hospital would be an appealing target for another buyer (e.g., a buyer that is not its closest competitor).

- 80% of residents of Terre Haute responded negatively about the Parties' first COPA application and recent polling suggest that 80% of Terre Haute residents remain opposed to Terre Haute Regional Hospital and Union Health merging.

This merger of Terre Haute Regional Hospital and Union Health would integrate the two key competitors (the Parties) for hospital care in Terre Haute and would create a de facto monopoly for inpatient services in Vigo County. This transaction would create a new merged entity that would have a local market share, depending on how it is measured, that ranges from approximately 75% to approximately 100%.

The fundamentals of the proposed Union Health and Terre Haute Regional Hospital merger have not changed between their first and second COPA Applications. Likewise, the economic principles that underscore the problematic nature of this transaction also remain unchanged. As a result, this deal still meaningfully lessens competition and therefore will likely adversely impact clinical quality and lead to price increases that harm local residents. None of the additional information put forward by the Parties in their second COPA application materially shifts my assessment of this transaction. Likewise, the academic evidence suggests that COPA protections like the ones present in Indiana Code § 16-21-15 do not protect against price increases (Garmon and Bhatt, 2002). Indeed, to that end, Senator Ed Charbonneau, the Senator who introduced the original COPA bill is pushing to repeal the law.[1]

I conclude that, even if a COPA were granted, this transaction would raise commercial prices by between 10% and 30%, raise local insurance premiums by 3% to 10%, lower wages in the area across health care and non-health care workers by 1%, cause approximately 500 job losses outside the health sector, and precipitate one to two excess deaths in the community from suicide or overdose (these days stem from the widely documented increase in short-run mortality that occurs for individuals who lose employment).

In their second COPA Application, the Parties have made new arguments about the benefits of this transaction, shifted from prior statements, and asserted that Terre Haute Regional Hospital might close if this COPA application is not approved. I do not assess the protections offered by the Parties would protect local residents. Likewise, while many merging hospitals assert that the sale-side of a transaction would close absent a merger, I do not find the statements from Terre Haute Regional Hospital and Union Health convincing, given that Terre Haute Regional Hospital has profit margins that exceed the margins of 75% of hospitals in the US.

In what follows, I respond to their arguments about closing of Terre Haute Regional Hospital, their newly introduced price protections, and their assertion that, despite creating a monopoly, this deal increases hospital competition. I also discuss the available evidence of public sentiment about the transaction.

Because the fundamentals of this deal have not changed, I have included my prior analysis in full below.

[1] Samantha Liss (2025). *Indiana State Senator Moves to Scrap Hospital Monopoly Law He Helped Create*. KFF Health News.

**The Potential Closure of Terre Haute Regional Hospital**

In their second application and in recent testimony on Senate Bill 119 (which would repeal Indiana's COPA statute), the Parties have argued that, absent a COPA, Terre Haute Regional would face operational challenges, cease to be a meaningful competitor to Union Health, and would likely close.[2] This is a new argument and is a shift in the position of the Union Health CEO, who stated, in a 2021 hearing on introducing a COPA law in Indiana, that he did not think Terre Haute Regional Hospital would exit absent a merger. In that testimony, Mr. Holman stated, "I do not believe the other system [absent a merger] would leave the community".[3] In their second COPA Application, the Parties also asserted that Terre Haute Regional Hospital would struggle to find a buyer other than Union Health.

Merging parties routinely assert that, absent a merger, the sell-side hospital in a transaction would close and that the current buy-side hospital is the only likely buyer. However, the past evidence does not support these assertions.[4]

The Federal Trade Commission (FTC) had access to privileged documents from the merging parties and highlighted, in their first public comment about the transaction, that Terre Haute Regional Hospital was profitable from 2018 to 2023.[5] Because merging parties generally assert that the sell-side of a deal would close absent a merger, the FTC routinely assesses the financial health of hospitals and the veracity of the claims of the merging parties.

In their second public comment, the FTC analyzed public data, which illustrated that Terre Haute Regional Hospital was more profitable in percentage terms than approximately 75% of hospitals in the US.[6] Moreover, Terre Haute Regional Hospital is owned by Hospital Corporation of America (HCA). Recent financial guidance from the firm placed their 2025 revenue at approximately $75 billion, with a net income of approximately $6 billion, and an EBITDA of approximately $14 billion. This suggests that Terre Haute Regional is on firm financial footing.

As Ballan (2016) notes, the sell-side hospitals in mergers that get rejected often find other acquirers.[7] A case in point, as the FTC notes in their recent response to the COPA, is what occurred after the merging parties in a transaction the FTC opposed abandoned a merger involving Novant Healthcare and two CHS hospitals. While the Terre Haute Regional Hospital and Union Health

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[2] See the February 12, 2025, Indiana General Assembly Session Senate Health and Provider Services Committee Hearing on SB 119 (https://iga.n.gov/session/2025/video/committee_health_and_provider_services_3900/).
[3] See the testimony by Steven Holman of Union Health at the Indiana General Assembly Senate Health and Provider Services Committee Hearing on SB 416 on February 10, 2021 (https://iga.in.gov/session/2021/video/committe_health_and_provider_services_3900).
[4] David Balan (2016). *Hospital Mergers That Don't Happen*. New England Journal of Medicine Catalyst.
[5] Federal Trade Commission (2024). *Federal Trade Commission Staff Submission to Indiana Health Department Regarding the Certificate of Public Advantage Application of Union Health and Terre Haute Regional Hospital*.
[6] Federal Trade Commission (2025). *Federal Trade Commission Supplemental Staff Submission to Indiana Department of Health Regarding 2025 Certificate of Public Advantage Application of Union Health and Terre Haute Regional Hospital.*
[7] David Balan (2016). *Hospital Mergers That Don't Happen*. New England Journal of Medicine Catalyst.

assert on page 50 of their application that this case provides precedent for their transaction, they fail to note that after Novant abandoned the transaction, the two CHS hospitals found other buyers.

Given the financial footing of Terre Haute Regional Hospital, if the COPA is not approved and the current merger is abandoned, the best available evidence suggests that Terre Haute Regional Hospital would either continue to operate autonomously or be acquired by a separate entity other than Union Health.

**Response to "Price Commitments" From Union Health and Terre Haute Regional Hospital**

On pages 76 to 78 of the Parties' second COPA Application, they introduce pricing commitments that they assert would shield residents from potential price increases generated by their transaction (note that neither Exhibit B nor Addendum 3 is included in the public version of their COPA Application, so I am focusing on content on pages 76 to 78). These commitments are unlikely to protect consumers. First, they generally apply to billed charges, which are not the basis for the majority of payments made by patients or insurers. Second, the pricing commitments only apply for a period of seven years (or five if Parties voluntarily terminate the COPA when the period of state supervision expires). As Garmon and Bhatt (2022) note, merging parties generally raise prices after the terms of a COPA expire. To that end, when the COPA for Mission Health in North Carolina expired, the merging parties raised commercial prices by 38%. When the COPA on Benefits Health in Montana expired, prices increased by approximately 20%.

Commitment 1 in their second COPA Application states:

> **"Union Hospital will not increase the charge for each individual service the Combined Enterprise offers by more than the increase in the preceding year's annual average of the Consumer Price Index for Medical Care as published by the federal Bureau of Labor Statistics, as set forth in the "Pricing Limitations" attached hereto as Addendum 3 for a period of Seven Years."**

However, it is crucial to note that very rarely do insurers pay hospitals based on their charges.[8] Instead, hospitals and insurers generally negotiate specific rates per service (for example, prices are often negotiated per DRG for inpatient care) that are set as a percentage of Medicare reimbursements or as fixed dollar amounts. As a result, commitments to restrain charges have largely no bearing on what commercial insurers will actually pay. Moreover, this requirement is already a condition of Indiana Code § 16-21-15, so it does not represent a concession by the Parties.

Second, the Parties state:

> **"Union Hospital will commit to limit price increases in payor negotiations in compliance with the "Pricing Limitations" attached hereto as Addendum 3 for a period of seven years."**

[8] Cooper, Zack, Stuart V Craig, Martin Gaynor, and John Van Reenen. 2019. "The Price Ain't Right? Hospital Prices and Health Spending on the Privately Insured*." *The Quarterly Journal of Economics* 134 (1): 51–107.

First, it is unclear what constitutes limits to price increases. Moreover, the Parties will be free to set prices at any levels after the seven-year moratorium ends. That is, while the parties are offering an undefined pricing concession for seven years, the market power they gain if this transaction is approved would persist for decades. Past evidence from Garmon and Bhatt (2022) highlights how, when fixed-duration pricing moratoriums are introduced on monopolies after mergers, prices jump by double digit percentages immediately after the moratoriums expire.

Third, the Parties state:

> **"Union Hospital will implement the Union Hospital chargemaster for all services provided across the Combined Enterprise immediately upon the Effective Data."**

Once again, this limitation applies to billed charges, which are largely not the rates paid by actual patients or insurers.

**This Deal Will Not Increase Competition**

On page 9 of their application, the Parties state:

> **"The COPA provides the State with a novel mechanism for enhancing competition and reducing health care costs at the State and regional level. The Combined Enterprise will be well-positioned to compete more effectively against large health systems across the State and region…By approving the COPA, the State will be enhancing competition at the State and regional level by facilitating the entry of a new, lower-cost regional provider to the Indiana market."**

There are two core problems with this argument. First, the argument fundamentally misunderstands the antecedents of competition in hospital markets. The degree of competition in a market is shaped by the extent to which patients view existing hospitals as feasible alternatives (Handel and Ho, 2021). In the case of this transaction, approximately 80% of the patients who currently receive care at Terre Haute Regional Hospital are predicted to receive care at one of Union Health's hospitals if the Parties merge. That is, because Terre Haute Regional Hospital's existing patients would still receive care locally, this transaction lessens competition; it does not increase it. Second, this deal does not facilitate "entry." Entry connotes a new competitor. Instead, this deal expands and cements the market power of an existing market participant. Third

**Residents Of Terre Haute Have Voice Their Opposition to The COPA And The Merger**

Analysis of the public comments in response to the Parties' first COPA Application suggests that 83% of residents of Terre Haute and Vigo County opposed the merger. Residents flagged concerns about job losses, reductions in clinical quality, and increases in hospital prices. Likewise, WTWO NBC News conducted a February 14 poll on the transaction. Consistent with the public comments on the Parties' COPA Application, 81% of residents are opposed to the merger of Terre Haute Regional Hospital and Union Health.

**Public Comment to the Indiana Department of Health Regarding the Certificate of Public Advantage Application of Union Health and Terre Haute Regional Hospital**

Pursuant to Indiana Code § 16-21-15

**September 6, 2024**

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Union Hospital, Inc. (Union Health) is proposing to acquire Terre Haute Regional Hospital, L.P. (Terre Haute Regional Hospital). In their application for a Certificate of Public Advantage (COPA), Union Health and Terre Haute Regional Hospital have argued that this transaction would improve local health, raise efficiency, and increase quality without raising costs for consumers or harming access to care.

This transaction involves two hospitals located approximately five miles apart. The next nearest hospital is located approximately 20 miles away. This public comment draws on the extensive evidence of how transactions of this type and similar COPAs have impacted hospital prices, hospital quality, access to care, and the health of local populations. The comment also draws on my recent work assessing how transactions like the proposed Terre Haute Regional Hospital and Union Health merger impact hospital prices, health care spending, insurance premiums, local wages, and employment (Brot-Goldberg et al., 2024; Brot-Goldberg et al., forthcoming). In this comment, I will also describe how evidence from past mergers and other states' experiences with COPAs can inform the Indiana Department of Health's assessment of how the outcomes from this proposed merger relate to the standards for issuing a COPA outlined in Indiana Code § 16-21-15.

**Background:** I am health economist who studies hospital competition and the functioning of health care markets. I am an Associate Professor of Public Health and Associate Professor of Economics at Yale University. I have written a number of academic articles assessing the impact of hospital competition on clinical quality and provider prices and have also studied the impact of hospital mergers on hospital prices, health spending, and economic growth in local communities (Cooper et a., 2011, Cooper et al., 2019, Cooper et al., 2022, Brot-Goldberg et al., 2024, and Brot-Goldberg et al., forthcoming). I have presented my work on hospital competition and mergers at the U.S. Department of Justice (DOJ), the Federal Trade Commission (FTC), and White House, as well as in numerous states. I have testified about hospital competition and mergers before the U.S. Senate.

**Overview:** Based on my nearly 20-years of studying hospital competition and hospital mergers, I firmly believe this merger would harm members of the public in Terre Haute and Vigo County.

This transaction will meaningfully lessen competition and would create a new merged entity that will have a local market share, depending on how it is measured, that ranges from approximately 75% to approximately 100%. Across a range of approaches for measuring the changes in market concentration that this transaction would, this merger would run afoul of the Department of Justice and Federal Trade Commission 2023 Merger Guidelines.

Based on my analysis of hundreds of mergers and evidence from past COPAs, this transaction is unlikely to improve the quality of care patients receive, is unlikely to meaningfully impact public health, will raise health care spending locally, will lower local access to care, and will lead to overall reductions in local income and employment in the area. The academic literature on hospital mergers that were granted COPAs also highlights that the quality of care at the merging facilities tended to fall (Garmon and Bhatt, 2022). Based on what the academic evidence suggests about the likely impact of the Terre Haute Regional Hospital and Union Health merger, my assessment is that the transaction would not achieve the goals described by the applicants and would generate more local costs than benefits. That is, the merger would not meet the approval standards outlined in Indiana Code § 16-21-15. My analysis of the merging parties' application and the relevant protections included Indiana Code § 16-21-15 also lead me to believe that the protections afforded to consumers via a COPA would not obviate the substantial harms this transaction is likely to induce for consumers.

My estimates are that this merger, even if a COPA were granted, would raise commercial prices by between 10% and 30%, raise local insurance premiums by 3% to 10%, lower wages in the area across health care and non-health care workers by 1%, cause approximately 500 job losses outside the health sector, and precipitate one to two excess deaths in the community from suicide or overdose. These suicides and overdoses stem from the job losses among workers outside of the health care sector that this transaction would generate. The collective economic harm from this transaction over a two-year period would be approximately $50 million, and the harms would continue to accumulate beyond this two-year timeframe. These harms do not include the reduction in local tax revenue that would result from this merger that stems from the fact that it transitions one of the merging parties from a for-profit entity (who therefore pays property taxes) to a non-profit entity that will have significant tax concessions. Because this transaction would raise prices and, in turn, out-of-pocket costs for consumers, it would also meaningfully harm access to care for residents of Vigo County.

**Standards for Assessment:** Indiana Code § 16-21-15 states that COPAs shall be granted if: "(1) A hospital merger may benefit the public by maintaining or improving the quality, efficiency, and accessibility of health care services offered to the public. (2) Benefits resulting from a hospital merger may outweigh any anticompetitive effects of joining together competitors, including addressing unique challenges in providing health care services in rural areas. (3) It is in the state's best interest to supplant state and federal antitrust law with a process for regulatory approval and active supervision by the state department, as provided in this chapter." (I.C. § 16-21-15-0.5).

**Statement of Merging Parties on Competition:** The applicants state on page 58 of their COPA application that, "the Transaction will enhance competition" and that "this proposed Merger will result in higher quality and improved access to health care without any undue increase in health care costs because it will not result in a meaningful reduction in competition for inpatient and

outpatient services in the region." On page 58, the merging parties underscore the value of competition when they write, "competition is valuable because it can benefit consumers. The "principal objective of antitrust policy is to maximize consumer welfare by encouraging firms to behave competitively." If the merger is consummated, the net effect will be to promote, not lessen, the traditional benefits of competition in UHI and THRH's geographic service areas."

**Impact on Competition:** It is unclear how the merging parties arrived at the conclusion that this merger would promote competition. Their assertion is inconsistent with standard economic theory. Unlike what the parties assert, my assessment is that this transaction would substantially lessen competition in the hospital market in Terre Haute, Indiana, and Vigo County. The dominant measure of market concentration used by the DOJ and the FTC is the Herfindahl-Hirschman Index (HHI) (Department of Justice and Federal Trade Commission, 2023). HHIs range from 0, indicating a perfectly competitive market, to 10,000, which reflects a monopoly market. According to their recently updated 2023 Merger Guidelines, the DOJ and the FTC define a market as highly concentrated if it has a HHI greater than 1,800. As the DOJ and FTC also note, "a merger that creates or further consolidates a highly concentrated market that involves an increase in the HHI of more than 100 points is presumed to substantially lessen competition or tend to create a monopoly" (Department of Justice and Federal Trade Commission, 2023). Moreover, the agencies note that "a merger that creates a firm with a share over thirty percent is also presumed to substantially lessen competition or tend to create a monopoly if it also involves an increase in HHI of more than 100 points" (Department of Justice and Federal Trade Commission, 2023).

There are multiple approaches to defining the market for hospital care in Vigo Count. Irrespective of the strategy used to assess market concentration, this merger would run afoul of the standard merger screening. Using a standard market definition based on a twenty-mile radius drawn around hospitals, the merger of Terre Haute Regional Hospital and Union Health would raise the local HHI in Vigo Country from approximately 5,000 to approximately 10,000. In other words, the merger would shift the local market from a duopoly to a monopoly and create one firm with nearly 100% of the market. According to the DOJ and FTC Merger Guidelines, this type of transaction would likely raise prices and adversely impact quality due to a lessening of competition (Department of Justice and Federal Trade Commission, 2023). Using a wider market definition based on local patient flows, this merger would raise the local HHI from approximately 3,500 to approximately 5,500 and create a combined entity with a market share of approximately 75%. This latter approach also implies that the transaction would meaningfully lessen competition.

**Health Care Quality:** On page 61 of their application, the applicants state, "[F]urthermore, with regard to the provision of quality health care services particularly, it is well established that there is a materially positive correlation between hospital volumes and better outcomes across a wide range of procedures and conditions. The patient volumes at Post-Merger [sic] Union Hospital will be greater than the pre-Merger patient volumes at Regional Hospital, or the pre-merger patient volumes at Union Hospital. Consistent with the findings of various studies, this increased volume will operate to improve the quality of care provided by Post-Merger [sic] Union Hospital."

Contrary to what the merging parties suggest, the best available evidence suggests that hospital mergers involving COPAs have led to reductions in quality (Garmon and Bhatt, 2011). The merging parties also misinterpret the implications of the evidence on the relationship between

provider volume and quality. The applicants accurately note that the academic literature has found a positive correlation between hospital volume and hospital quality. However, this does not mean that a merger that raises hospital volume will causally lead to higher quality. Instead, the academic literature suggests that mergers largely do not impact clinical quality (Mariani et al., 2022). While there are returns to being large, the literature suggests that this correlation is explained by the fact that better hospitals tend to grow more over time (Chandra et al., 2016).

Contrary to what the merging parties assert, there is scant evidence that mergers raise clinical quality and, if anything, reviews of the literature indicate that the relationship between mergers and quality is modestly negative (Handel and Ho, 2021). Within the literature, for example, Beaulieu et al. (2020), published in the New England Journal of Medicine, examined 246 acquired hospitals between 2009 and 2013 and concluded that "hospital acquisition by another hospital or hospital system was associated with modestly worse patient experiences and no significant changes in readmission or mortality rates." Moreover, there is a clear negative relationship between competition and mortality --- that is, hospitals facing less competition tend to have higher death rates. Kessler and McClellan (2000), Cooper et al. (2011), Gaynor, Moreno-Serra and Propper (2013), and Gaynor, Propper and Seiller (2016) all study the relationship between competition and quality and conclude that hospitals facing more competition have higher quality and lower death rates.

Garmon and Bhatt (2022) examined the impact of hospital mergers subject to COPAs prior to 2015 on clinical quality. They show that the change in market power from these mergers led to reductions in hospital quality. For example, following the Southern Maine Medical Center and MaineHealth merger, mortality rates for heart attack, heart failure, and pneumonia increased. The authors concluded that their general finding "is that COPA-regulated hospitals may experience reductions in quality." In their discussion of a second merger with a COPA, they also state that, "after Phoebe Putney's acquisition of Palmyra Medical Center, quality declined across most measures."

**Health Improvement Initiatives:** Union Health and Terre Haute Regional Hospital's COPA application notes that they will introduce a number of community health programs. In their application, Union Health and Terre Haute Regional Hospital state that Union Health "has implemented, and plans to implement, a number of innovative health care initiatives that are not typically associated with routine clinical care, but which nonetheless improve the health status of, and access to quality care by, patients and the public at large" (page 20). These sorts of claims are often found in COPA applications (Garmon and Bhatt, 2022).

However, once the parties merge, the reduction in competition generated by the transaction will eliminate the economic incentives for the merging parties to follow through on their commitments. It is therefore important to note, as the merging parties note on pages 25, 26, 27, and 28 of their COPA application, the majority of their public health and community initiatives have not yet been implemented and will only commence after the transaction is completed.

Past experiences with COPAs in other jurisdictions should inform the state's assessment of the likelihood that Union Health and Terre Haute Regional Health's merger will lead to public benefit. In 2018, Mountain States Health Alliance and Wellmont Health System merged to form Ballad

Health System. Their COPA application included pledges to invest in public health programs (Mountain States Health Alliance and Wellmont Health System, 2016). Five years after the merger was completed, Kaiser Health News published an article titled, "These Appalachia Hospitals Made Big Promises to Gain a Monopoly. They're Failing to Deliver," in which they outline how Ballad, the newly merged entity, failed to fulfil their pledged charity care obligations, did not meet the majority of their quality benchmarks, and engaged in aggressive debt collection (Kelman and Liss, 2023).

**Efficiency:** The applicants note on page 4 that "combining the management and back-office operations at a single location will maximize the coordination and efficiency of management and other administrative services, including communications across the Combined Clinical Platform…once consolidation is completed, shared services expense is expected to be reduced by $2 million annually." On page 43, the applicants state that "the Merger will produce reductions in health care costs over time," and these savings will largely result from improvements in care coordination and reductions in redundant back-office operations.

The merging parties' assertions about efficiencies are inconsistent with the academic evidence. For example, Schmitt (2017) examined the impact of hospital mergers between 2000 and 2010 on cost savings. Schmitt found evidence of cost reductions. However, these reductions were only present in transactions where the merging parties were not located nearby and hence were not competitors. Their findings echo earlier work by Dranove and Lindrooth (2003). Given the change in market structure that the merger of Union Health and Terre Haute Regional Hospital will generate, this transaction is unlikely to generate sufficient competitive pressure to incentivize the merging parties to materially reduce costs.

**Health Care Prices:** There is an extensive body of evidence, summarized in Handel and Ho (2021), that shows that hospital mergers involving parties that are geographically proximate generally raise prices. In my work, for example, we find that mergers involving close competitors generally lead to price increases of 5% or more (Cooper et al., 2019). Likewise, Brot-Goldberg (forthcoming) highlight how hospital mergers that raise the HHI of merging parties by more than 200 points and result in a post-merger HHI of over 2,500 points lead to price increases of, on average, more than 5%. The Union Health and Terre Haute Regional Hospital merger would raise the local HHI by approximately 5,000 points. My conservative estimate is that this transaction would raise local prices by 10% to 30%.

Critically, I.C. § 16-21-15 does include limits on growth of providers' charges. However, the vast majority of the contracts hospitals negotiate with insurers are wholly unrelated to providers' charges (Cooper et al., 2019). As a result, it is highly likely that, even with a COPA in place, the newly merged Union Health and Terre Haute Regional Hospital entity will substantially increase their negotiated prices.

To that end, as the applicants state on page 65, "as a threshold matter, it is important to note that, if the COPA is granted, Post-Merger Union Hospital will be prohibited, pursuant to I.C. § 16-21-15-7(c), from increasing the charges for individual services by more than the increase in the preceding year's annual average of the Consumer Price Index for Medical Care, as published by the federal Bureau of Labor Statistics…This prohibition limits the Hospital's charges, and

consequently, limits the Hospital's ability to use its charges as a basis for negotiating higher reimbursement rates with payors." Here, it is vital to note that, in their application, the merging parties do not assert that the COPA will limit the growth of the prices they negotiate with payers or the prices of any of their value-based or alternative. Instead, they state that it will limit their ability to use charges as a basis for negotiating higher reimbursements. As a result, the protections included in I.C. § 16-21-15-7 are unlikely to thwart supernormal growth of the actual transaction prices that the merging parties negotiate after the transaction is completed.

Access: Because the Terre Haute Regional Hospital and Union Health merger is likely to markedly increase the combined entity's negotiated prices, the transaction will also lead to an increase in patient cost-sharing. There is clear evidence that when cost-sharing increases, individuals reduce their use of health care services. As a result, it is likely that the proposed merger will reduce access to hospital care for residents of Terre Haute and Vigo Country (Brot-Goldberg et al., 2017).

**Impact on Workers:** On page 40 of their application, the applicants state that "the Merger is not expected to result in material cost reductions attributable to employee departures." However, when hospitals gain market power, they also gain the ability to negotiate lower wages with workers. Prager and Schmitt (2021) show that, following a merger where the merging parties gain market power, nurses' salaries drop by approximately 7%. This is an average estimate across mergers, and, given the substantial increase in market concentration that the merger in Terre Haute is likely to generate, it is likely that the Terre Haute transaction could lead to wage reductions for nurses of 10% or more.

**Impact on the Local Community:** The majority of working-age adults in the U.S. get their health insurance from an employer. When the price of hospital care goes up, it raises insurance premiums. In the presence of employer-sponsored health insurance, this increase makes it more costly for non-health care firms to retain workers. Brot-Goldberg et al. (2024) --- work where I am a coauthor --- studies the impact of rising hospital prices caused by hospital mergers on local wages and employment. Our work shows that when hospital prices go up, local firms reduce the count of workers they employ and local incomes go down. Moreover, the research highlights that it is middle-income workers who are most likely to become unemployed. Our results suggest that, when applied directly to this transaction, if the merger between Terre Haute Regional Hospital and Union Health led to a 10% increase in hospital prices, it would decrease local wages in Vigo County by approximately $36 million and lead to a net reduction in 300 to 800 local job losses. These job losses would be concentrated among middle class workers employed in jobs outside the health care sector.

A growing literature highlights how losing a job and becoming wholly separated from the labor market can have devastating health consequences and increase short-run mortality (Eliason and Storrie, 2009; Sullivan and von Wachter, 2009; Pierce and Schott, 2020; Venkataramani et al., 2020). The rise in mortality following job losses generally stems from a surge in overdoses, vehicular accidents, and self-harm (Eliason and Storrie, 2009 and Venkataramani et al., 2020). Consistent with this literature, Brot-Goldberg et al. (2024) find that, following price increases from hospital mergers, approximately 1 in 140 of the individuals who lose a job and become separated from the labor market die within a year from a suicide or an overdose. I estimate, based on that

work, that the merger between Terre Haute Regional Hospital and Union Health would lead to one to two excess deaths from suicide or overdose.

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